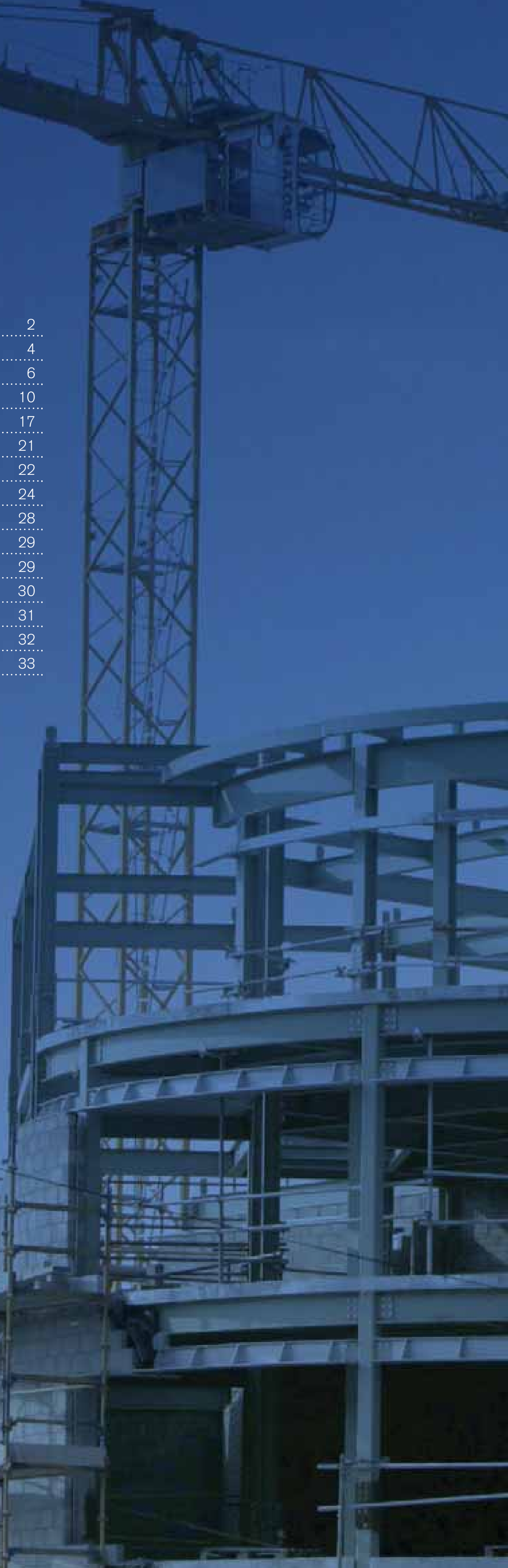
Donegal

DONEGAL CREAMERIES plc
Annual Report & Financial Statements 2006

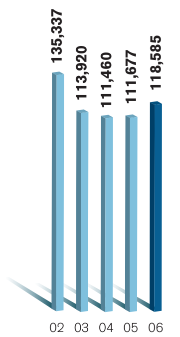
a platform for growth

CONTENTS

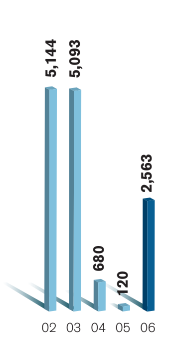


FINANCIAL HIGHLIGHTS

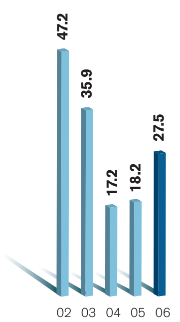
	2006 €'000	2005 €'000	Increase/ (Decrease)%
Turnover	**118,585**	111,677	6.2%
Operating profit	**2,563**	120	2,036%
Profit before tax	**4,146**	3,598	15.2%
Profit after tax	**3,016**	2,006	50.3%
Operational cash flow	**6,758**	7,735	(12.6%)
Earnings per share	**27.5c**	18.2c	51.1%
Dividend per share	**13.5c**	12c	12.5%
Net asset value per share (excluding minority interest)	**€5.46**	€5.35	2.1%



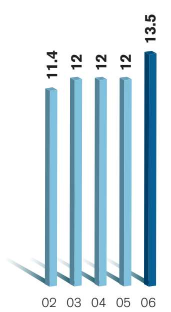
TURNOVER (€'000)



OPERATING PROFIT (€'000)

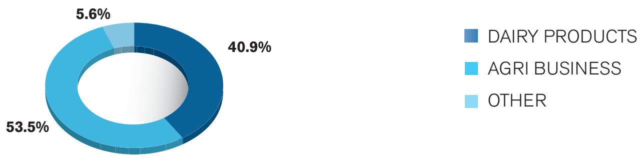


EARNINGS PER SHARE (CENTS)

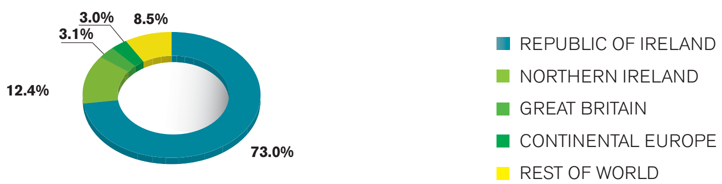


DIVIDENDS PER SHARE (CENTS)

TURNOVER BY CLASS OF BUSINESS



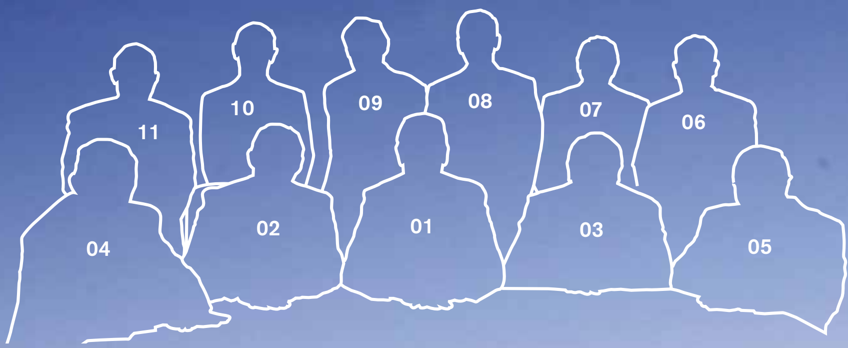
GEOGRAPHICAL DESTINATION OF TURNOVER



DIRECTORS & OTHER INFORMATION

Board of Directors

01 G Vance (Chairman)
02 I Ireland (Managing Director)
03 I Grier
04 F Devenney
05 M McNulty
06 P J Kelly
07 L Tinney
08 N Witherow
09 C Tindal
10 T Hanlon
11 M Robinson



Secretary and registered office

T Hanlon
Ballyraine
Letterkenny
Co Donegal

Independent auditors

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Solicitors

VP McMullin & Son
Letterkenny
Co Donegal

Matheson Ormsby Prentice
30 Herbert Street
Dublin 2

Principal Bankers

Ulster Bank Limited
Letterkenny
Co Donegal

Board of Directors

The Board of Directors of Donegal Creameries plc comprises 9 Non-Executive Directors and 2 Executive Directors.

Non-Executive Directors

Geoffrey Vance (aged 56) is Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer.

Ivan Grier (aged 62) is Vice Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is also a director of North Western Livestock Holdings Limited.

Francis Devenney (aged 61) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He has significant residential and other property interests in the Letterkenny area.

Matt McNulty (aged 61) was appointed to the Board on 19 August 1998. He has experience spanning over 35 years in the tourism and travel industries. He was most recently Director General of Bord Fáilte and has served on many Government bodies and committees dealing with tourism, transport, education, urban renewal, conservation, heritage and taxation policies. He was also a co-founder of the People in Need Trust Charity.

Charles Tindal (aged 70) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. He is a director of Donegal Carpets Limited.

Patrick J Kelly (aged 34) was appointed to the Board on 7 July 2004. He is Chairman of the Audit Committee. He is also a director of Teagasc and former National Chairman of Macra na Feirme. He is a farmer.

Norman Witherow (aged 54) was appointed to the Board on 2 July 2003. He is a member of the Audit Committee. He is also a director of Raphoe Enterprise Company Limited. He is a farmer.

Marshall Robinson (aged 51) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is also a director of Raphoe Enterprise Company Limited, North Western Livestock Holdings Limited and Treasurer of Donegal Farm Relief Services Limited. He is a farmer.

Lexie Tinney (aged 68), former Chairman, has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a council member of ICOS.

Executive Directors

Ian Ireland (Managing Director), BSC, MBA (aged 45) joined Donegal Creameries plc in January 2005. Prior to that he had spent over 20 years working in the food industry in Ireland and the UK.

Tony Hanlon (Finance Director and Company Secretary), B.Comm, FCA (aged 43) joined Donegal Creameries plc in January 2006. He has 20 years experience as an accountant in the manufacturing and distribution sectors in Ireland.

CHAIRMAN'S STATEMENT

Donegal Creameries plc announces its financial results for the year ended 31 December 2006.

Geoffrey Vance
Chairman

During the year under review, Group turnover from continuing operations increased from €111.7 million to €118.6 million, an increase of 6.2%. Operating profit increased to €2.6 million from €0.1 million in the previous year due to significant improvements from all the Group's operating business units which have delivered a satisfactory year on year improvement.

Profit before tax increased from €3.6 million to €4.1 million, an increase of 15%. This was achieved from the improvement in the Group's operating units and a contribution of €2 million from property development. As a result, profit for the financial year increased by 51% from €1.9 million to €2.8 million.

During the year the Group invested €4.9 million in acquiring property and other investments which will be added to our significant land banks for future development.

Dividends

The Directors are recommending a final dividend of 8 cent per share. If approved, the total dividend for the year will be 14 cent per share, an increase of 8% on 2005.

Earnings per share increased from 18.2 cent to 27.5 cent, an increase of 51%.

AGM

The Company's AGM will take place in the Mount Errigal Hotel, Letterkenny, Co. Donegal at 11.30am on Thursday 5 July 2007. The annual report and financial statements will be published and sent to shareholders in June 2007

During the year the Board implemented its planned changes reducing the number of Directors from 26 to 11. I would like to recognise the contribution of all Board members in bringing these changes to fruition and the Group to where it is today. I would also like to compliment senior management and all staff on achieving such an excellent year's result.

Geoffrey Vance
Chairman
19 April 2007


Donegal
Creameries Plc.

MANAGING DIRECTOR'S REVIEW

Operations Review

Donegal Creameries plc delivered a good operational performance in 2006 with all business units performing well and, with our continued focus on financial management, the business is well placed for growth in the coming years. Turnover grew by 6.2% to €118.6m, delivering operating cash flow of €6.8m and Earnings per Share of 27.5c, an increase of 51% on 2005.

Ian Ireland
Managing Director

Dairy Division

Turnover in the Dairy Division was in line with 2005 with a 6% increase in added value dairy products being offset by the reduction in commodity dairy products experienced during most of 2006. The branded liquid milk business was re-launched in June with a regionally focused campaign around animated personalised dairy cows. This was a resounding success and continues to grow market share in the key Donegal market.

After a difficult start the market for commodity dairy products recovered well towards the end of the year and the short-term outlook is better.

Agribusiness Division

Turnover in the Agribusiness Division was up 11% to €64m. Key highlights include a solid result from the animal feed business and a very strong performance in both our potato businesses. Irish Potato Marketing continues to develop well in the global seed potato market and continues to build on its strong customer base in over 30 countries.


Good Morning
from
Donegal
Creameries
Whole Milk
Low Fat Milk
Fat Free Milk
Butter Milk
Cream


SMYTHS


Donegal
RECEPTION

MANAGING DIRECTOR'S REVIEW continued

Opportunities to invest in land and property are continually being evaluated and we remain confident that our growing property assets will provide long-term value for shareholders.

Land and Property Development

Rental income from the Group's property portfolio improved by 14%. During the year there was one major sale of property for circa €2m and the Group acquired further property assets and other investments, spending €4.9m, including 22 acres in Letterkenny. In 2006 a major refurbishment project of the Group's Grianan Estate commenced which includes 17km of new fencing and drainage improvement.

Finance

The business has continued to make improvements and strengthen its financial position. Continued focus on working capital and investment criteria will ensure that our balance sheet remains strong. Net debt increased marginally by €282,000 with our key investments of over €6.6m, including €4.9 million on financial assets and €1.7 million on tangible fixed assets, being financed from existing operations.

Outlook

The business has had a satisfactory start to the year and the trading outlook for the year is good. Opportunities to invest in land and property are continually being evaluated and we remain confident that our growing property assets will provide long-term value for shareholders. In addition our operating areas of Dairy and Agribusiness will continue to provide cash for expansion in selective operational growth areas or further investment in our property assets.

Board and Staff

During the year the Group implemented its planned Board changes. I would like to recognise the contributions of all the Board members who served in bringing the organisation to where it is today. As part of the changes Lexie Tinney retired as Chairman and Geoffrey Vance was appointed in his place. I would like to specially thank Lexie for his leadership in effecting these changes.

Finally, I would like to add my thanks and appreciation to my senior colleagues and all staff for their achievements in 2006.

Ian Ireland
Managing Director
19 April 2007

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

Principal activities and review of the business

The Group is engaged in the intake and processing of milk, the manufacture of milk products, the development and sale of seed potatoes, the manufacture, sale and distribution of farm inputs, the leasing, development and sales of property and the manufacture of confectionery.

Turnover grew by 6% to €118.6 million (2005: €111.7 million). The Chairman's statement and Managing Director's review include a comprehensive review of the Group's businesses.

Operating profit increased from €0.1 million to €2.6 million during the year due to improved markets for dairy products and growth in the seed potato business. Profit before tax increased from €3.6 million to €4.1 million due to improved operating profits partly offset by a reduction in the profits earned on the sale of financial assets which decreased from €3.9 million to €2.1 million. Earnings per share increased from 18.2 cents to 27.5 cents due to the improved profitability and a reduced tax charge as a result of a greater share of profits arising from trading activities.

The Group achieved operating cash flows of €6.8 million, compared to €7.7 million in 2005, reflecting a further reduction in working capital of €0.5 million and improved profitability. After investing an additional €4.9 million in financial assets, the Group restricted the increase in net debt to €0.3 million due to strong operating cashflow. Net debt at 31 December 2006 stood at €15.1 million compared to shareholders funds of €55.5 million.

In monitoring performance the Directors and management have regard to a range of key performance indicators (KPIs), including the following:

KPI	**2006**	2005
	€	€
Profit before tax	**4.1 million**	3.6 million
Operations cash flow	**6.8 million**	7.7 million
Net debt	**15.1 million**	14.8 million
Net assets	**57.3 million**	54.4 million

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Commercial relationships with key customers;
- Property related risks;
- Financial risks.

Commercial relationships with key customers

The Group benefits from commercial relationships with a number of key customers particularly in the dairy division. The loss or impairment of these relationships could result in a material impact on Group results. The Group invests significant resources to manage these relationships and seeks to diversify the customer base where possible.

Property related risks

The Group is increasingly focused on deriving value from developing its property assets and is therefore exposed to the economic and political risks inherent in the property market. These risks are reduced by the lower property values in the Donegal market and are controlled by actively managing the property portfolio.

Financial risks

The principal financial risks including interest rate and credit risks are actively managed by the Group within the framework policies and guidelines approved by the Board and monitored by the Audit Committee. The Groups defined benefit pension schemes are exposed to the risk of changes in interest rates and the market value of investments as well as inflation and the increasing longevity of scheme members. The Group manages these risks by paying appropriate contributions as advised by the scheme actuaries and in addition the Group has closed off a number of schemes to new members.

The Directors have analysed these and other risks and appropriate plans are in place to manage and control these risks. The corporate governance statement on pages 11 to 15 sets out the policies and approach to risks adopted by the Group and the related internal control procedures and responsibilities.

Profits, dividends and reserves
Profit for the financial year amounted to €2.8 million (2005: €1.9 million). An interim dividend of 6 cents per share was paid on 1 December 2006.

The retained profit for the year amounted to €2.4 million.

The results for the financial year ended 31 December 2006 are set out in detail on pages 28 to 53.

Share capital
At the Annual General Meeting of the company held on 26 July 1995, the shareholders sanctioned the requisite alteration to the Articles of Association of the Company to enable the Group to purchase treasury shares and authorised the Group to make market purchases (as defined by Section 212 of the Companies Act, 1990). The aggregate nominal value of shares authorised to be so acquired was not to exceed 10% of the aggregate nominal value of the issued share capital of the Company. This authority was renewed at subsequent Annual General Meetings.

Throughout the year ending 31 December 2006, 107,828 ordinary shares of 13 cents each were held as treasury shares by Donegal Creameries plc. This represented 1.0% of the called up share capital of the Company. These shares were acquired at a cost of €129,110.

Future developments in the business
A review of future developments in the business is included in the Managing Director's Review on page 9.

Events since the year end
There have been no significant events affecting the Group since the year end.

Directors
The Directors of the Company on 19 April 2007 are listed on pages 2 and 3.

Following a restructuring of the Board in July 2006, F Browne, D Callaghan, R Rankin, S Gallagher, E Kerr, P Kelly, B Byrne, R Russell, M Reid, J Moody, I Bates, G McClay, D Sweeney, E Moore and J Hamilton resigned from the Board on 6 July 2006.

G Vance, C Tindal and M Robinson retire by rotation and have been chosen at the area electoral meetings and council meetings for re-election as Directors at the Annual General Meeting.

None of the Directors offering themselves for re-election has a service contract with the Company or any of its subsidiaries.

Corporate governance
Maintaining high standards of corporate governance continues to be a priority of the Directors of Donegal Creameries plc. The UK Combined Code is the foundation on which their corporate governance policy is based.

In July 2003, the Financial Reporting Council in the UK issued the revised Combined Code on Corporate Governance which superseded and replaced the Combined Code published in 1998. The Board has reviewed the 2003 Combined Code and it is Group policy to apply all of the relevant main and supporting principles of good governance in the 2003 Combined Code.

The Directors are accountable to the shareholders for good corporate governance and this report addresses how the relevant main and supporting principles of the Combined Code have been applied within the Group.

The Board
The Group is controlled through its Board of Directors. The Board's main roles are to oversee the operation of the Group, to provide leadership to the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board meets on a regular basis throughout the year and certain matters are specifically reserved to the Board for its decision.

During the year the Board and its committee were restructured to improve compliance with the Combined Code, board balance and independence. As a result the number of Directors has been reduced from 26 to 11 including 2 Executive Directors. The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; and ensuring that a satisfactory dialogue takes place with shareholders.

DIRECTORS' REPORT CONTINUED

The Board (continued)
The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

The roles of the Chairman and the Managing Director
The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all Directors and constructive relations between the Executive Directors and the other Directors, ensures that Directors receive accurate, timely and clear information and manages effective communication with shareholders.

The Managing Director has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director
The Board has decided that it does not need to designate a recognised senior member other than the Chairman to whom concerns of other Board members can be conveyed.

Directors and Directors' Independence
All appointments to the Board are approved by the Nomination Committee. 8 Directors are elected following area electoral meetings. There are no formal time limits for service as Director although service periods are kept under ongoing review and each year one third of the Board must retire and be reappointed by the AGM. No Non-Executive Director has a service contract with any Group Company.

The Board currently comprises the Chairman, 2 Executive Directors and 8 Non-Executive Directors. The names of the Directors together with their biographical details are set out on pages 2 and 3. The positions of Chairman and Managing Director are held by different persons. The Non-Executive Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The 2003 Combined Code requires the Chairman to hold meetings with the Non-Executive Directors without the Executive Directors being present. Procedures in this regard were formalised during the year and it is the intention to hold such meetings on a periodic basis and as requested by individual Directors.

Directors have the right to ensure that any concerns they have, which cannot be resolved, about the running of the Group or a proposed action, are recorded in the Board minutes. In addition, upon resignation, a Non-Executive Director will be asked to provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities.

The Board believes that all Directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. During the year, the Board initiated a process to evaluate the independence of Directors, against the criteria set out in the 2003 Combined Code and in the context of the matters referred to above, and have concluded that all the Non-Executive Directors are independent, notwithstanding the fact that the majority of the Non-Executive Directors, as farmers, have a business relationship with the Group and trade with the Group on normal business terms and the fact that a number have served on the Board for more than 9 years.

The Non-Executive Directors considered by the Board to be independent:
- have not been employees of the Group within the last five years;
- have not, or had not within the last three years, a material business relationship with the Group;
- do not receive remuneration (other than through Director's fees) and share options;
- have no close family ties with any of the Group's advisers, Directors or senior employees;
- hold no cross-directorships or has significant links with other Directors through involvement in other companies or bodies; and
- do not represent a significant shareholder.

Professional development

On appointment, all new Directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management, and the latest financial information about the Group. This will typically be supplemented by meetings with key senior Executives. Throughout their period in office, the Directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the agriculture industry as a whole, by written briefings and meetings with senior Executives. Directors are also advised on appointment of their legal and other duties and obligations as a Director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as Directors.

Nomination Committee

The Nomination Committee is comprised of 3 Non-Executive Directors, Charles Tindal, who acts as Chairman, Francis Devenney and Marshall Robinson. It met once during the year, when all members were present, to recommend the appointment of Tony Hanlon as a Director and as Finance Director.

Performance evaluation

During the year the Board formalised a process for the annual evaluation of the performance of the Board, its principal Committees, and individual Directors in line with the requirements of the 2003 Combined Code.

The Company Secretary

The Company Secretary is a full time employee of the Group. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information

Regular reports and papers are circulated to the Directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

The Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

Relations with shareholders

The Board and management maintain regular dialogue with the Company's shareholders on strategic issues. The Chairman and the Managing Director give feedback to the Board on issues raised with them by the shareholders. All Directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process, which is based on the Combined Code Guidance for Directors, issued by the Institute of Chartered Accountants in England and Wales (the Turnbull Guidance), is periodically reviewed by the Directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

In accordance with the guidance of the Turnbull committee, the Directors are responsible for the Group's system of internal control, set appropriate policies on internal control, should seek regular assurance that will enable them to satisfy themselves that the system is functioning effectively and should ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss.

The Directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2006, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditors on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. Managing business risk to deliver opportunities is a key element of all activities. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

DIRECTORS' REPORT CONTINUED

Internal Control (continued)

Group management has responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to operating company management. Management at all levels is responsible for internal control over the respective business functions they have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board receives, on a regular basis, reports on the key risks to the business and the steps being taken to manage such risks. It considers whether the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The Directors consider that, given its size, the Group does not currently require an internal audit function.

The Audit Committee, a formally constituted sub-committee of the Board, meets on a regular basis with the external auditors and satisfies itself as to the adequacy of the Group's internal control systems.

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

Attendance at meetings of the Board, the Remuneration Committee, the Audit Committee and the Inner Board

7 Board meetings were held during the year ended 31 December 2006 and the attendance record of each Director is set out in the following table:

Name	Eligible to attend	Attended	Name	Eligible to attend	Attended
Geoffrey Vance	7	7	Eamon Kerr	2	2
Ian Ireland	7	7	Geoffrey McClay	2	2
Ivan Bates	2	2	Matt McNulty	7	5
Frank Browne	2	2	John Moody	2	2
Brian Byrne	2	2	Ernest Moore	2	1
Donal Callaghan	2	1	Robin Rankin	2	2
Francis Devenney	7	7	Michael Reid	2	2
Sean Gallagher	2	2	Marshall Robinson	7	6
Ivan Grier	7	7	Ronnie Russell	2	1
John Hamilton	2	2	Daniel Sweeney	2	2
Tony Hanlon	7	7	Charles Tindal	7	5
Patrick Kelly	2	2	Lexie Tinney	7	5
Patrick J Kelly	7	6	Norman Witherow	7	6

5 meetings of the Remuneration Committee were held during the year ended 31 December 2006 and the attendance record of each Director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Ivan Grier	5	5
Francis Devenney	1	1
Matt McNulty	5	4
Lexie Tinney	2	2
Geoffrey Vance	5	5

6 meetings of the Audit Committee were held during the year ended 31 December 2006 and the attendance record of each Director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Patrick J Kelly	6	6
Matt McNulty	6	6
Geoffrey Vance	3	3
Norman Witherow	3	3

4 meetings of the Inner Board, were held prior to the introduction of the new Board structure in July 2006 and the attendance record of each Director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Lexie Tinney	4	3
Ian Ireland	4	4
Francis Devenney	4	4
Ivan Grier	4	4
Tony Hanlon	4	4
Patrick Kelly	4	4
Matt McNulty	4	1
Charles Tindal	4	3
Geoffrey Vance	4	4
Norman Witherow	4	4

Remuneration Committee

The Remuneration Committee is comprised of 3 Non-Executive Directors. Ivan Grier acts as Chairman of the Committee. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Managing Director;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to act, on behalf of the Board, and take decisions related to pay and pay related matters, as the Chairman of the Board shall determine.
- to act, on behalf of the Board, and take significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues.

The report of the Remuneration Committee on behalf of the Board is set out on pages 17 to 20.

Audit Committee

The Audit Committee comprises of 3 Non-Executive Directors, Patrick J Kelly (Chairman), Norman Witherow and Matt McNulty. During the year Geoffrey Vance resigned from the Committee and was replaced by Norman Witherow. The Committee held 6 formal meetings during 2006. When necessary, non-Committee members are invited to attend.

The Audit Committee monitors areas of risk and performance by the PLC and ensures the integrity of the Group's financial statements. The Audit Committee is also responsible for monitoring the effectiveness of the external auditor and audit process and makes recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors. This responsibility also ensures an appropriate relationship between the Group and external audit is maintained, including the review of all non-audit services provided.

The Audit Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group. The Audit Committee meets with management as required and meets privately with the external auditor and team.

In 2006 the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2005, meeting and reviewing with the external auditor prior to Board approval of financial statements;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact in the Group's financial statements of significant matters and changes arising during the year;
- reviewing and approving the audit fee and reviewing non-audit fees that may be payable to the Group's auditor;
- considering the external auditors' plan for the annual audit of the Group's financial statements for 2006;
- confirmation of the external auditor's independence and terms of engagement;
- reviewing and redefining the Group's system of risk identification assessment and control to ensure their robustness and effectiveness; and
- reporting to the Board on its review of the Group's systems and internal controls and their effectiveness to meet current, future and strategic requirements.

DIRECTORS' REPORT CONTINUED

Compliance Statement
The Directors confirm that the Group has been in compliance with the relevant main and supporting principles of the 2003 Combined Code throughout the financial year under review, except that no senior independent Director has been identified and the majority of the Non-Executive Directors, as farmers, have a business relationship with the Group and trade with the Group on normal business terms. Both of these exceptions are viewed as appropriate by the Directors given Corporate Governance framework established for the Group.

Going Concern
The Directors have reviewed the Group's business plan and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Substantial holdings
As at 19 April 2007, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Bloxham Investment Funds	673,000	6.5%

Bloxham Investment Funds state that these shares are not beneficially owned by them.

Save for the interests referred to above, the Company is not aware of any person who is, directly or indirectly, interested in 3% or more of the issued ordinary share capital of the Company.

Employee welfare
It is the policy of the Group to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy which was applied throughout the year, is based on the requirements of the relevant health and safety legislation.

Books of account
The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Ballyraine, Letterkenny, Co Donegal.

Auditor
The auditor, KPMG, have expressed their willingness to be re-appointed in accordance with section 160(2) of the Companies Act, 1963.

Tax status
The Company is not a close company under the provisions of the Taxes Consolidation Act, 1997.

Group companies
Information relating to subsidiary and associated undertakings is included in note 31 to the financial statements.

Political contributions
There were no political contributions which require disclosure under the Electoral Act, 1997.

AGM
The Company's Annual General Meeting will take place at the Mount Errigal Hotel, Letterkenny, Co. Donegal on 5 July 2007. Your attention is drawn to the separate circular enclosed with the annual report and financial statements containing the notice of meeting and an explanatory statement which sets out details of the matters to be considered at the Annual General Meeting.

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

19 April 2007

REPORT OF THE REMUNERATION COMMITTEE

Composition of Board and Remuneration Committee

It is the practice of the Company that a majority of the Board comprises Non-Executive Directors and that the Chairman be non-executive. The Remuneration Committee consists solely of Non-Executive Directors. The Managing Director is fully consulted about remuneration proposals and outside advice is sought when necessary. The current members of the Remuneration Committee are Lexie Tinney, Matt McNulty and Ivan Grier (Committee Chairman).

The terms of reference for the Committee are to determine the Group's policy on executive remuneration and to consider and approve salaries and other terms of the remuneration package for the Executive Directors and senior personnel.

Remuneration policy

The Group's policy on senior personnel remuneration recognises that employment and remuneration conditions for senior personnel must properly reward and motivate them to perform in the best interest of the shareholders. Performance related rewards, in which targets are measurable, are a key consideration.

The typical elements of the remuneration package for senior personnel are basic salary and benefits, incentive bonus, pensions and participation in the share option plan.

It is policy to grant options to certain key management across all locations to encourage identification with shareholders' interests.

Executive Directors' basic salary and benefits

The basic salaries of Executive Directors are reviewed annually having regard to personal performance, company performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a car allowance and participation in the share option scheme. No fees are payable to Executive Directors.

Incentive plan

The Executive Directors are entitled to receive bonus payments as the Remuneration Committee may decide at their absolute discretion.

Share option scheme

At an extraordinary general meeting held on 27 July 2005 a share option scheme for full time executives was approved by shareholders. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. Options are granted at the discretion of the Remuneration Committee. On 2 May 2006 the Remuneration Committee granted 150,000 share options to Ian Ireland, at an exercise price of €4.35, exercisable between the third anniversary of the grant date and the sixth anniversary of the grant date. No other options have been granted under this scheme.

Directors' service contracts

The Managing Director has a service agreement appointing him as Managing Director for three years commencing on 1 January 2005 and continuing thereafter unless and until terminated by either party, giving not less than six months notice. This agreement automatically terminates on the Managing Director obtaining the age of sixty-five years.

None of the other Directors has a service contract with any member of the Group.

Directors' remuneration and interests in share capital

Details of Directors' remuneration, share options and shareholdings are given on pages 18 to 20 and details of Directors' pensions are set out below.

Pensions

The two Executive Directors are entitled to benefits under defined contribution scheme pension arrangements.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Executive Directors

Ian Ireland and Tony Hanlon, who was appointed Finance Director on 23 February 2006, were the only Executive Directors in place during the year.

	2006 €	2005 €
Salaries and benefits		
Basic salary	**337,767**	336,804
Benefits (1)	**28,256**	27,636
	366,023	364,440
Performance related		
Annual incentives (2)	**141,333**	70,000
Pension charge (3)	**57,470**	74,623
Ex gratia payments	**-**	88,500
Total Executive Directors' remuneration	**564,826**	597,563
Average number of Executive Directors	**2**	2
Average annual basic salary per Executive Director	**168,884**	168,402

In addition, share options were granted to Ian Ireland during the year. See below and note 32 of the financial statements.

Non-Executive Directors	**2006 €**	2005 €
Fees and other emoluments		
Fees (4)	**104,800**	40,560
Other emoluments and benefits	**-**	-
	104,800	40,560
Other remuneration	**-**	-
	104,800	40,560
Total Non-Executive Directors' remuneration	**104,800**	40,560
Average number of Non-Executive Directors	**16**	24
Total Directors' remuneration	**669,626**	638,123

Notes to Directors' remuneration

1 Benefits principally relate to a car allowance.
2 The incentive plan is outlined on page 17.
3 The pension charge represents defined contributions made to pension funds.
4 Nine Non-Executive Directors received fees in 2006 (2005: Two).

	Basic salary €	Incentive Bonus €	Benefits €	Pension & other related costs €	2006 Total €	2005 Total €
Executive Directors						
I Ireland	246,100	123,000	18,152	49,220	**436,472**	361,000
D Kelly	-	-	-	-	**-**	236,563
T Hanlon	91,667	18,333	10,104	8,250	**128,354**	-
	337,767	141,333	28,256	57,470	**564,826**	597,563

	Basic salary €	Fees €	Incentive Bonus €	Benefits €	Pension & other related costs €	2006 Total €	2005 Total €
Non-Executive Directors							
G Vance	-	20,500	-	-	-	**20,500**	-
L Tinney	-	26,800	-	-	-	**26,800**	26,000
M McNulty	-	16,800	-	-	-	**16,800**	14,560
N Witherow	-	6,900	-	-	-	**6,900**	-
F Devenney	-	6,300	-	-	-	**6,300**	-
I Grier	-	8,000	-	-	-	**8,000**	-
C Tindal	-	6,000	-	-	-	**6,000**	-
M Robinson	-	6,000	-	-	-	**6,000**	-
P J Kelly	-	7,500	-	-	-	**7,500**	-
	-	104,800	-	-	-	**104,800**	40,560

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2005	Granted in 2006	Exercised in 2006	31 December 2006	Option price
I Ireland	-	150,000	-	150,000	€4.35
	-	150,000	-	150,000	

No options lapsed during the year. The market price of the Company's shares at 31 December 2006 was €4.70 (2005: €4.30) and the range during 2006 was €4.00 to €4.70 (2005: €4.00 to €4.75). See note 32 of the financial statements for further information in this regard.

These options may only be exercised between May 2009 and May 2012.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Directors' and Secretary's interests in shares

The beneficial interests, including family interests, of the Directors and Secretary in office at 31 December 2006 in the ordinary shares of the Company at 31 December 2005 (or date of appointment, if later) and 31 December 2006 are set out below:

	31 December 2006	31 December 2005
Directors:		
G Vance	**171,939**	171,939
I Ireland	**43,682**	5,000
F Devenney	**44,853**	44,853
I Grier	**45,243**	45,243
T Hanlon	**12,500**	5,000
P J Kelly	**2,401**	1,401
M Mc Nulty	**-**	-
M Robinson	**24,417**	24,417
C Tindal	**30,974**	30,974
L Tinney	**95,812**	95,812
N Witherow	**37,221**	37,221

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare Group and parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Acts, 1963 to 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

19 April 2007

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DONEGAL CREAMERIES PLC

We have audited the Group and parent Company financial statements (the 'financial statements') of Donegal Creameries plc for the year ended 31 December 2006 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor in relation to the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as set out in the statement of Directors' responsibilities on page 21.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the parent Company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed, and, where practicable, include such information in our report.

We review whether the corporate governance statement on pages 11 to 15 reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the Chairman's statement, the Managing Director's review, the corporate governance statement, the report of the Remuneration Committee and the five year financial summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

Opinion

In our opinion, the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and parent Company's affairs at 31 December 2006 and of the profit of the group for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 10 to 16 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2006 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

KPMG

Chartered Accountants
Registered Auditor

19 April 2007

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial statements. These have been applied consistently with last year except that in these financial statements FRS 20 'Share-based payments' has been adopted for the first time.

The financial statements have been prepared in euro.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment property assets, and in accordance with Irish Generally Accepted Accounting Practice, which includes compliance with the financial reporting standards of the UK Accounting Standards Board as promulgated by the Institute of Chartered Accountants in Ireland.

Turnover

Turnover principally arises from the sale of dairy products, agricultural inputs, seed potatoes, and confectionery, excludes Value Added Tax, and is recognised upon the delivery of such products.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2006.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below.

Subsidiary undertakings

Interests in subsidiary undertakings are stated in the holding company's balance sheet at cost less provision for any permanent diminution in value.

Associate undertakings

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Associates are accounted for using the equity method. The Group's share of the profits less losses of associates are included in the consolidated profit and loss account. The Group's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the Group's share of the fair values of the net asset at acquisition plus the Group's share of post acquisition results. Goodwill arising on acquisition of associates is dealt with as stated below.

The amounts included in the consolidated financial statements in respect of the post acquisition profits of associates are taken from their latest audited financial statements made up to the balance sheet date.

Investments in associates are shown in the Company balance sheet as financial fixed assets at cost less provision for any permanent diminution in value.

Goodwill

Purchased goodwill arising on the acquisition of a subsidiary, joint venture, associate or business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Purchased goodwill arising on acquisitions prior to 1 January 1998 was eliminated against reserves on acquisition and negative goodwill arising on such acquisitions was credited directly to reserves as a matter of accounting policy. On disposal of the business any goodwill so treated is included in determining the profit or loss on sale of the business.

Purchased goodwill arising on acquisitions after 1 January 1998 is capitalised in the balance sheet and amortised over the estimated economic life of the goodwill, which ranges from 10 to 20 years.

Goodwill arising on the acquisition of milk runs, being the consideration paid to acquire the liquid milk business of small dairies, is charged to the profit and loss account in the year in which it is acquired.

Negative goodwill arising on such acquisitions is also capitalised and shown separately in the balance sheet and credited to the profit and loss account to match the periods in which the acquired non-monetary assets are recovered. Any excess over the non-monetary assets acquired is credited to the profit and loss account in the periods benefited.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation.

The charge for depreciation is calculated to write down the cost or current value of tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Buildings	-	4 to 20 years
Plant	-	10 years
Fixtures and fittings	-	4 to 10 years
Motor vehicles	-	4 years
Tankers and trailers	-	6 years

Provision is also made for any impairments of tangible fixed assets below their carrying amounts.

The Group does not adopt a policy of revaluation in relation to tangible fixed assets. Under the transitional provisions of Financial Reporting Standard No 15 - Tangible Fixed Assets, the Group has retained the book amounts of land and buildings which were re-valued in 1988 and has not updated that valuation.

Investment property

Investment properties are re-valued annually and are not depreciated or amortised. Where the valuation indicates a permanent diminution in the value of the property, the permanent diminution is charged to the profit and loss account. All other fluctuations in value are transferred to a revaluation reserve.

Trade investments

Trade investments are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Pensions

The Group provides pensions to its employees under defined benefit and defined contribution pension schemes.

In relation to the defined contribution schemes, contributions are accrued and recognised in operating profit or loss in the period in which they are earned by the relevant employees.

For defined benefit schemes, the difference between the market value of the schemes' assets and the actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of deferred tax (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted during the year.

The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount during the year are shown as finance costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost comprises purchase price, including transport costs where appropriate.

Net realisable value comprises the actual or estimated selling price (before settlement discounts), less all costs to be incurred in marketing, selling and distribution.

Taxation

Current tax, including Irish corporation tax and foreign taxes, is provided on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

The Group's net investments in overseas subsidiary undertakings, joint ventures and associates are translated at the rate ruling at the balance sheet date. The profits and losses of overseas subsidiary undertakings, joint ventures and associates are translated at average rates for the year. Exchange differences resulting from the retranslation of the opening balance sheets of overseas subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses. Where net investments are matched in whole or in part by foreign currency borrowings, the exchange differences arising on the retranslation of such borrowings are also recorded as reserve movements and reflected in the statement of total recognised gains and losses.

Derivative instruments
Derivative instruments such as forward foreign exchange contracts are used in hedging transactions. Profits and losses are recognised in accordance with the underlying transactions.

Leasing
Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Dividends
Interim dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are approved by the Board. Final dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are approved by shareholders.

Government grants
Capital government grants received are shown as deferred income and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other revenue grants are credited to the profit and loss account to offset the matching expenditure.

Research and development
Research and development expenditure is written off as incurred.

Share based payments
The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	**2006 €'000**	2005 €'000
Turnover	1	**118,585**	111,677
Cost of sales		**(96,098)**	(96,127)
Gross profit		**22,487**	15,550
Distribution costs		**(9,146)**	(7,652)
Administration expenses		**(8,998)**	(7,187)
Other operating costs		**(1,780)**	(591)
Operating profit		**2,563**	120
Exceptional items			
Profit/(loss) on disposal of fixed assets		**11**	(38)
Profit on disposal of financial assets	4	**2,122**	3,941
Impairment of investment in associate undertaking	9(b)	**(584)**	(638)
Share of results of associated undertakings		**320**	394
Profit on ordinary activities before interest		**4,432**	3,779
Income from financial assets	2	**1,069**	1,068
Interest receivable		**83**	94
Interest payable:			
- Group	3	**(1,240)**	(1,200)
- Associate	3	**(198)**	(143)
Profit on ordinary activities before taxation	4	**4,146**	3,598
Taxation	5	**(1,130)**	(1,592)
Profit on ordinary activities after taxation		**3,016**	2,006
Minority interest	20	**(217)**	(152)
Profit for the financial year		**2,799**	1,854
Earnings per share			
- basic	7	**27.5c**	18.2c
- diluted	7	**27.0c**	18.0c

All profits arose from continuing operations.
The accompanying notes form an integral part of these financial statements.

On behalf of the Board

Geoffrey Vance
Director

Ian Ireland
Director

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €'000	2005 €'000
Profit for the financial year		**2,799**	1,854
Translation adjustment		**3**	-
Revaluation of investment property		**-**	12,842
Actuarial gain on pensions schemes recognised	25	**289**	1,477
Minority interest in subsidiary pension actuarial (gain)/loss	20	**(403)**	177
Revaluation of investment property in associate company	9(b)	**1,026**	-
Total recognised gains and losses for the year	19	**3,714**	16,350

NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 €'000	2005 €'000
Reported profit on ordinary activities before taxation	**4,146**	3,598
Difference between the historical cost depreciation charge and the actual depreciation	**10**	10
Historical cost profit for the year retained before taxation	**4,156**	3,608

GROUP BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006 €'000	2005 €'000
Fixed assets			
Tangible assets	8	**18,822**	19,899
Financial assets	9	**31,936**	28,331
Investment in associates	9	**4,689**	3,409
Goodwill	10	**1,200**	2,432
		56,647	54,071
Current assets			
Stocks	11	**8,137**	9,924
Debtors	12	**29,814**	28,456
Cash at bank and in hand		**441**	2,023
		38,392	40,403
Creditors – Amounts falling due within one year	13	**(20,859)**	(21,638)
Net current assets		**17,533**	18,765
Total assets less current liabilities		**74,180**	72,836
Creditors – Amounts falling due after one year	14	**(14,261)**	(15,274)
Provisions for liabilities	15	**(1,971)**	(1,925)
Net assets excluding pension liability		**57,948**	55,637
Pension liability	25	**(686)**	(1,212)
Net assets		**57,262**	54,425
Capital and reserves			
Called up share capital	16	**1,337**	1,337
Share premium	17	**2,975**	2,975
Revaluation reserve	18	**13,065**	13,154
Reserve on acquisition	18	**293**	293
Other reserves	18	**189**	189
Profit and loss account	18	**37,636**	35,207
Share option reserve	18	**28**	-
Shareholders' funds	19	**55,523**	53,155
Minority interest in subsidiaries	20	**1,739**	1,270
		57,262	54,425

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

Geoffrey Vance
Director

Ian Ireland
Director

COMPANY BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006 €'000	2005 €'000
Fixed assets			
Tangible assets	8	**2,084**	1,730
Financial assets	9	**42,169**	38,932
		44,253	40,662
Current assets			
Stocks	11	**2,379**	3,488
Debtors	12	**18,085**	20,428
Cash at bank and in hand		**9,974**	8,979
		30,438	32,895
Creditors: amounts falling due within one year	13	**(39,331)**	(40,810)
Net current liabilities		**(8,893)**	(7,915)
Total assets less current liabilities		**35,360**	32,747
Creditors: amounts falling due after one year	14	**(14,148)**	(15,068)
Provision for liabilities	15	**(1,382)**	(1,266)
Net asset excluding pension (liability)/asset		**19,830**	16,413
Pension (liability)/asset		**(2)**	253
Net assets		**19,828**	16,666
Capital and reserves			
Called up share capital	16	**1,337**	1,337
Share premium	17	**2,975**	2,975
Revaluation reserve	18	**12,908**	12,997
Reserve on acquisition	18	**189**	189
Profit and loss account	18	**2,391**	(832)
Share option reserve	18	**28**	-
Shareholders' funds		**19,828**	16,666

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

Geoffrey Vance
Director

Ian Ireland
Director

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €'000	2006 €'000	2005 €'000	2005 €'000
Net cash inflow from operating activities	26		**6,758**		7,735
Returns on investments and servicing of finance					
Property leasing receipts		**487**		567	
Interest received		**83**		94	
Dividends paid to minority interest		**(148)**		(103)	
Interest paid		**(783)**		(717)	
Net cash outflow from returns on investments and servicing of finance			**(361)**		(159)
Taxation			**(1,688)**		(467)
Capital expenditure and financial investment					
Sale of tangible assets		**234**		192	
Purchase of tangible assets		**(1,673)**		(1,948)	
Purchase of financial assets		**(4,916)**		(135)	
Sale of financial assets		**2,690**		3,941	
Net cash (outflow)/inflow from capital expenditure and financial investment			**(3,665)**		2,050
Acquisitions and disposals					
Acquisition of Milburn Dairies Limited		**-**		(730)	
Cash acquired on acquisition of subsidiaries		**-**		(347)	
Net cash outflow from acquisitions			**-**		(1,077)
Equity dividends paid			**(1,374)**		(1,315)
Net cash (outflow)/inflow before financing			**(330)**		6,767
Financing					
Issue of shares		**-**		21	
Finance lease payments	28	**(53)**		(74)	
Net cash outflow from financing			**(53)**		(53)
(Decrease)/increase in cash	27		**(383)**		6,714

NOTES

FORMING PART OF THE FINANCIAL STATEMENTS

1 Turnover

	2006 €'000	2005 €'000
a) By class of business:		
Group turnover:		
Dairy products	**48,495**	47,568
Agribusiness	**63,519**	57,430
Other	**6,571**	6,679
	118,585	111,677

	2006 €'000	2005 €'000
b) By geographical market:		
Group turnover:		
Republic of Ireland	**86,509**	77,106
Northern Ireland	**14,685**	18,345
Great Britain	**3,701**	3,511
Continental Europe	**3,591**	3,081
Rest of World	**10,099**	9,634
	118,585	111,677

The disclosure of segmental information in respect of profits and net assets as required by Statement of Standard Accounting Practice No. 25, "Segmental Reporting" (SSAP 25) would, in the opinion of the Directors, be prejudicial to the interests of the Group and accordingly has not been disclosed as permitted by SSAP 25.

2 Income from financial assets

	2006 €'000	2005 €'000
Dividends receivable from listed investments	**-**	15
Income from investment property rentals	**468**	585
Miscellaneous income	**-**	13
Expected rate of return on pension scheme assets (note 25)	**581**	455
Interest from convertible loan stock	**20**	-
	1,069	1,068

3 Interest payable

	2006 €'000	2005 €'000
Borrowings wholly repayable by instalment within five years:		
Bank overdraft and loans	**783**	717
Interest on pension scheme liabilities (note 25)	**457**	483
Share of interest payable by associate	**198**	143
	1,438	1,343

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

4 Profit before taxation

	2006 €'000	2005 €'000
Profit before taxation has been arrived at after charging/ (crediting):		
Depreciation	**2,531**	2,949
Auditors' remuneration	**85**	80
Amortisation/impairment of goodwill	**1,232**	154
Profit on sale of financial assets		
- Profit on sale of listed investments	**-**	(3,119)
- Profit on sale of investment property	**(1,985)**	(822)
- Profit on sale of subsidiary (note 9 – a)	**(137)**	-
	(2,122)	(3,941)
Amortisation of capital grants	**(4)**	(8)

Amounts paid to Directors are disclosed in the report of the Remuneration Committee on pages 17 to 20.

5 Tax on profits on ordinary activities

	2006 €'000	2005 €'000
Current tax:		
Irish corporation tax	**903**	1,810
United Kingdom corporation tax	**162**	88
Share of tax of associates	**-**	7
Underprovision in relation to prior year	**19**	373
Current tax charge for year	**1,084**	1,278
Deferred tax:		
Deferred tax charge for the year (Note 15)	**46**	314
	1,130	1,592

The current tax charge for the year is higher than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:

	2006 €'000	2005 €'000
Profit on ordinary activities before tax	**4,146**	3,598
Profit on ordinary activities multiplied by the average rate of Irish Corporation tax for the year of 12.5% (2005: 12.5%)	**518**	450
Effects of:		
Net disallowable expenses	**327**	155
Differences in effective tax rate on Sterling earnings	**81**	92
Distributions receivable from Irish companies	**-**	(105)
Underprovision in relation to prior year	**19**	373
Adjustment re capital gains tax	**176**	358
Other adjustments	**(37)**	(45)
Current tax charge for year	**1,084**	1,278

6 Dividends

	2006 **€'000**	2005 €'000
Ordinary dividend paid of 13.5c per share (2005: 12c)	**1,374**	1,229

7 Earnings per share

	2006	2005
The computation of basic and diluted earnings per share is set out below:		
Numerator:		
For basic and diluted earnings per share		
Profit for the financial year (€'000)	**2,799**	1,854
Denominator:		
Weighted average number of ordinary shares in issue for the year	**10,285,590**	10,285,590
Average number of treasury shares	**(107,828)**	(107,828)
Denominator for basic earnings per share	**10,177,762**	10,177,762
Effect of dilutive potential ordinary shares (share options)	**183,863**	83,590
Denominator for diluted earnings per share	**10,361,625**	10,261,352
Basic earnings per ordinary share	**27.5c**	18.2c
Diluted earnings per ordinary share	**27.0c**	18.0c

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

8 Tangible assets

	Freehold & leasehold and buildings €'000	Plant €'000	Fixture and fittings €'000	Motor vehicles €'000	Tankers and trailers €'000	Total €'000
Group						
Cost						
At 31 December 2005						
- Valuation	775	-	-	-	-	775
- Cost	12,635	22,634	1,971	2,632	968	40,840
Additions	321	365	149	413	-	1,248
Reclassification from financial assets	-	-	425	-	-	425
Disposals	(118)	(65)	(19)	(241)	-	(443)
Translation adjustment	22	22	5	4	-	53
Impairment adjustment	(19)	-	-	-	-	(19)
At 31 December 2006	**13,616**	**22,956**	**2,531**	**2,808**	**968**	**42,879**
Accumulated depreciation						
At 31 December 2005	3,027	14,523	1,542	1,725	899	21,716
Charge for year	383	1,534	256	330	28	2,531
On disposals	(26)	(35)	(12)	(147)	-	(220)
Translation adjustment	3	18	5	4	-	30
At 31 December 2006	**3,387**	**16,040**	**1,791**	**1,912**	**927**	**24,057**
Net book amounts						
At 31 December 2006						
- Valuation	775	-	-	-	-	775
- Cost	12,841	22,956	2,531	2,808	968	42,104
- Accumulated depreciation	(3,387)	(16,040)	(1,791)	(1,912)	(927)	(24,057)
	10,229	**6,916**	**740**	**896**	**41**	**18,822**
At 31 December 2005	10,383	8,111	429	907	69	19,899

Included above are amounts in respect of assets held under finance leases:

	2006 €'000	2005 €'000
Net book value	**167**	184
Depreciation charge for year	**17**	133

	Freehold and leasehold land and buildings €'000	Plant €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Company					
Cost or valuation					
At 31 December 2005					
- valuation	775	-	-	-	775
- cost	1,687	494	955	512	3,648
Additions	214	-	18	39	271
Reclassification from financial assets	-	-	425	-	425
Disposals	(113)	-	(7)	-	(120)
At 31 December 2006	2,563	494	1,391	551	4,999
Accumulated depreciation					
At 31 December 2005	1,041	413	856	383	2,693
Charge for year	73	16	124	41	254
On disposals	(26)	-	(6)	-	(32)
At 31 December 2006	1,088	429	974	424	2,915
Net book amounts					
At 31 December 2006					
- valuation	775	-	-	-	775
- cost	1,788	494	1,391	551	4,224
- accumulated depreciation	(1,088)	(429)	(974)	(424)	(2,915)
	1,475	**65**	**417**	**127**	**2,084**
At 31 December 2005	1,421	81	99	129	1,730

Land and buildings of the parent Company were re-valued on an existing use basis (except for certain land which was valued at open market value) by D Rainey & Sons M.I.A.V.I. at 31 December 1988. The surplus arising on the revaluation has been taken to revaluation reserves (Note 18).

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

9 Financial assets

	Other investments €'000	Loan stock in associate €'000	Listed shares €'000	Unlisted shares €'000	Prize bonds €'000	Invest-ment property €'000	Total €'000	Asso-ciates €'000
Group								
At 31 December 2005	61	2,742	29	130	100	25,269	28,331	3,409
Additions	520	-	-	-	-	4,264	4,784	132
Share of increase in net assets	-	-	-	-	-	-	-	122
Share of revaluation of investment property in associate (note 9 – b)	-	-	-	-	-	-	-	1,026
Disposals	-	-	-	-	-	(170)	(170)	-
Reclassification as fixed asset	-	-	-	-	-	(425)	(425)	-
Impairment (note 9 - b)	-	(584)	-	-	-	-	(584)	-
At 31 December 2006	**581**	**2,158**	**29**	**130**	**100**	**28,938**	**31,936**	**4,689**

	Subsidiary companies €'000	Listed Shares €'000	Associate under-takings €'000	Other interests €'000	Loan stock in associate €'000	Prize bonds €'000	Invest-ment property €'000	Total €'000
Company								
At 31 December 2005	5,095	21	4,259	114	2,742	100	26,601	38,932
Additions	-	-	132	-	-	-	4,264	4,396
Disposal	-	(6)	-	-	-	-	(144)	(150)
Reclassification as fixed asset	-	-	-	-	-	-	(425)	(425)
Impairment (note 9 – b)	-	-	-	-	(584)	-	-	(584)
At 31 December 2006	**5,095**	**15**	**4,391**	**114**	**2,158**	**100**	**30,296**	**42,169**

(a) Sale of subsidiary

On 6 July 2006, the Company disposed of its 54.1% interest in Comharchuman Gaeltacht Lar Tir Chonaill. Consideration received was a 17.7% interest in Leapgrange Limited. The principal asset of Leapgrange Limited is the Leapgrange forest and the Group's interest received has been valued at €132,000. This consideration is included in additions to 'interest in associates' in the table above. On a Company basis, the consideration received was paid by way of eliminating the intercompany debt that previously existed and therefore did not result in any gain or loss. No taxable gain arose on this transaction.

(b) Interest in associates

The Group has interests in associates as follows:

	2006 €'000	2005 €'000
Loan to associate	**2,158**	2,742
Share of net assets in associates	**4,689**	3,409
	6,847	6,151

During 2005, the Group recognised an impairment to the carrying value of the interest in associates of €638,000, comprising an impairment of goodwill of €406,000 and an impairment to the share of net assets in associates of €232,000. During 2006, the Group recognised a further impairment of €584,000 to the carrying value of its share of net assets in associates following a review of the recoverability of those assets.

The Group has an associate interest in North Western Livestock Holdings Limited. Following a revaluation by that society of investment property held by it, the Group has, during 2006, reflected an increase in its share in this associate of €1,026,000. This gain has been included in the statement of total recognised gains and losses.

(c) Revaluation of investment property
The investment properties of the Group and Company were re-valued by the Directors' based upon advice from qualified external valuation experts, to an open market value basis reflecting existing use as of December 2006. The investment properties represents a farm, An Grianán, acquired by the Company in 1996, other property purchased during 2006 and the Letterkenny Student Residence.

(d) Listed shares
The market value of the listed shares at 31 December 2006 was €27,500 (2005: €26,000). In the opinion of the Directors, the value to Donegal Creameries plc of the unlisted shares is not less than the value shown above. The listed shares are listed on recognised stock exchanges.

(e) Company – provisions held
The cumulative provision against investments held by the Company at 31 December 2006 of €7,451,000 (2005: €6,867,000) is against the carrying value of subsidiaries €4,557,000 (2005: €2,985,000), investment property €1,283,000 (2005: €1,283,000), unlisted shares €389,000 (2005: €1,961,000) and associates €1,222,000 (2005: €638,000).

10 Goodwill

Group	Positive goodwill €'000	Negative goodwill €'000	Total €'000
Goodwill arising on acquisitions:			
At 31 December 2005 and 2006	3,930	(922)	3,008
Released to profit and loss account:			
At 31 December 2005	872	(296)	576
Amortised during the year	237	(44)	193
Provision for impairment	1,039	-	1,039
At 31 December 2006	2,148	(340)	1,808
Net book amount:			
At 31 December 2006	**1,782**	**(582)**	**1,200**
At 31 December 2005	3,058	(626)	2,432

The provision for impairment of goodwill reflects the Directors' view of the underlying carrying value of goodwill.

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

11 Stocks

Group	2006 €'000	2005 €'000
Dairy	**49**	46
Stores including animal feeds	**4,578**	6,149
Confectionery	**1,133**	1,350
Sacks for resale	**1,497**	1,506
Packaging and other stocks	**880**	873
	8,137	9,924
Company		
Stores	**2,355**	3,468
Expense stocks	**24**	20
	2,379	3,488

The estimated replacement cost of stocks is not materially different from the above amounts.

12 Debtors

	2006 €'000	2005 €'000
Group		
Trade debtors	**24,889**	24,602
Amounts owed by associated undertakings	**2,617**	2,299
Value added tax	**815**	463
Other debtors	**290**	132
Prepayments and accrued income	**1,203**	960
	29,814	28,456
Amount falling due after more than one year included above:	**258**	775
Company		
Trade debtors	**5,155**	5,561
Amounts owed by subsidiary undertakings	**9,764**	11,798
Amounts owed by associated undertakings	**2,234**	2,279
Taxation	**-**	39
Other debtors	**652**	576
Prepayments and accrued income	**280**	175
	18,085	20,428
Amounts falling due after more than one year included above:	**258**	775

13 Creditors - amounts falling due within one year

	2006 €'000	2005 €'000
Group		
Bank loans and overdrafts	**1,240**	1,560
Finance leases	**67**	67
Trade creditors	**13,964**	14,308
Corporation tax	**462**	1,065
Income tax deducted under PAYE	**139**	118
Pay related social insurance	**109**	120
Value added tax	**262**	233
Other creditors and accruals	**4,616**	4,167
	20,859	21,638
Company		
Bank loans	**1,240**	4,779
Trade creditors	**2,173**	2,076
Amounts due to subsidiary undertakings	**33,917**	31,717
Corporation tax	**203**	530
Income tax deducted under PAYE	**74**	46
Pay-related social insurance	**53**	61
Other creditors and accruals	**1,553**	1,599
Value added tax	**118**	2
	39,331	40,810

The bank loans and overdrafts are secured by cross guarantees from other Group Companies. The Company has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other Companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 1 January 2006.

14 Creditors – amounts falling due after one year

	2006 €'000	2005 €'000
Group		
Bank loans	**14,148**	15,076
Capital grants deferred	**-**	31
Finance leases	**113**	167
	14,261	15,274
Company		
Bank loans	**14,148**	15,068
	14,148	15,068

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

15 Provisions for liabilities

	2006	2005
	€'000	€'000
Group		
Deferred tax liability	**998**	952
Other provisions	**973**	973
	1,971	1,925

Deferred taxation	
At 31 December 2005	952
Charged to profit and loss account (Note 5)	46
At 31 December 2006	**998**

Full provision has been made for deferred taxation liabilities, being a potential tax clawback of €364,000 (2005: €286,000) and timing differences of €634,000 (2005: €666,000), as it is expected that the relevant corporation tax will become payable in the foreseeable future. No deferred tax asset has been recognised with respect to the pension liability (note 25) or for certain tax losses forward due to the level of uncertainty over the recoverability of such assets.

	€'000
Other provisions	
At 31 December 2005 and 2006	**973**

A provision in respect of expected warranty claims against the Group by other parties has been included in "other provisions" above. The exact nature and the amount of this provision has not been disclosed, as, in the opinion of the Directors, such disclosure would be prejudicial to the interests of the Group.

Company	**2006**	2005
	€'000	€'000
Deferred tax liability	**409**	293
Other provisions	**973**	973
	1,382	1,266

16 Share capital – Group and Company

	2006	2005
	€'000	€'000
Authorised		
50,000,000 ordinary shares of 13 cents each	**6,500**	6,500
Allotted and fully paid		
At beginning and end of year		
– 10,285,590 ordinary shares of 13 cents each	**1,337**	1,337

There are options outstanding in respect of 233,590 ordinary shares of 13 cents each at 31 December 2006 (2005: 83,590). This figure includes options over 150,000 shares which can only be exercised after the expiration of three years from the date of grant of the options. The option prices range from €0.13 to €4.35 per ordinary share.

17 Share premium – Group and Company

	2006 €'000	2005 €'000
At beginning of year	**2,975**	2,954
Employee share options exercised	**-**	21
At end of year	**2,975**	2,975

18 Reserves

	Revaluation Reserve €'000	Reserve on acquisition €'000	Other reserves €'000	Share option reserve €'000	Profit and loss account €'000
Group					
At 31 December 2005	13,154	293	189	-	35,207
Total recognised gains and losses for the year	-	-	-	-	3,714
Dividends	-	-	-	-	(1,374)
Sale of investment property	(89)	-	-	-	89
Share options granted	-	-	-	28	-
At 31 December 2006	**13,065**	**293**	**189**	**28**	**37,636**

	Revaluation Reserve €'000	Other reserves €'000	Share option reserve €'000	Profit and loss account €'000
Company				
At 31 December 2005	12,997	189	-	(832)
(Loss)/profit for year	-	-	-	4,769
Dividends	-	-	-	(1,374)
Actuarial loss on pension scheme	-	-	-	(261)
Sale of investment property	(89)	-	-	89
Share options granted	-	-	28	-
At 31 December 2006	**12,908**	**189**	**28**	**2,391**

Other reserves of €188,749 are non distributable as they are not available for distribution until such time as the contingent liability to repay capital grants, received from the Industrial Development Authority, has expired. Profits available for distribution are restricted by €129,110 (2005: €129,110), being the cost of shares in Donegal Creameries plc held by the Group. As permitted by Section 148(8) of the Companies Act, 1963 a profit and loss account in respect of the parent Company is not shown. A profit after tax of €4,769,000 (2005: loss of €1,196,000) relating to the parent Company is included in the Group profit and loss account.

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

19 Reconciliation of movements in shareholders' funds

	2006 €'000	2005 €'000
Group		
Opening shareholders' funds	**53,155**	38,013
Increase in share premium	**-**	21
Total recognised gains and losses in the period	**3,714**	16,350
Dividends	**(1,374)**	(1,229)
Share options granted	**28**	-
Net addition to shareholders' funds	**2,368**	15,142
Closing shareholders' funds	**55,523**	53,155
Company		
Opening shareholders' funds	**16,666**	5,121
Increase in share premium	**-**	21
Total recognised gains and losses in the period	**4,508**	12,753
Share options granted	**28**	-
Dividends	**(1,374)**	(1,229)
Net movement to shareholders' funds	**3,162**	11,545
Closing shareholders' funds	**19,828**	16,666

20 Minority interests in subsidiaries

	2006 €'000	2005 €'000
At 1 January	**1,270**	1,384
Share of profit for year	**217**	152
Dividends paid	**(148)**	(103)
Translation adjustment	**(3)**	14
Share of actuarial gain/(loss) on pension scheme	**403**	(177)
At 31 December	**1,739**	1,270

21 Financial instruments

The Board is conscious of the financial risks inherent in the Group's activities denominated in foreign currencies, principally sterling, and the interest rate risk associated with the Group's borrowings. The foreign exchange risks are considered in consultation with the Group's treasury providers. The Group has maintained its bank borrowings at floating rates in the past.

The Group has taken advantage of the exemption provided by Financial Reporting Standard No. 13 and has not included short term debtors and creditors within notes (a), (c) and (e) below.

(a) Interest rate risk profile of financial assets and liabilities

	2006	2005
	€'000	€'000
The Group's financial assets, as defined by Financial Reporting Standard No. 13, comprise		
Listed shares	**29**	29
Unlisted shares	**130**	130
	159	159

The interest rate profile of these financial assets is as follows:

	2006		2005	
		Equity		Equity
	Total	**shares**	Total	shares
Currency	**€'000**	**€'000**	€'000	€'000
Euro	**159**	**159**	159	159

The Group's financial liabilities, as defined by Financial Reporting Standard 13 comprise:

		2006	2005
	Notes	**€'000**	€'000
Finance leases	13-14	**180**	234
Bank loans and overdrafts	13-14	**15,388**	16,636
Total		**15,568**	16,870

After taking account of forward currency contracts, the interest rate profile of these financial liabilities was as follows:

31 December 2006:		Floating rate	Fixed rate
		Financial	financial
	Total	liabilities	liabilities
	€'000	€'000	€'000
Currency			
Euro	15,388	15,388	-
Sterling	180	-	180
Total	15,568	15,388	180

31 December 2006:	Fixed rate financial liabilities	
	Weighted	Period for
	average	which rate
	interest rate	is fixed
	%	years
Currency		
Euro	3	4

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

21 Financial instruments (continued)

31 December 2005:

	Total €'000	Floating rate financial liabilities €'000	Fixed rate financial liabilities €'000
Currency			
Euro	16,636	16,636	-
Sterling	234	-	234
Total	16,870	16,636	234

31 December 2005:

	Fixed rate financial liabilities	
	Weighted average interest rate %	Period for which rate is fixed years
Currency		
Euro	3	5

The floating rate financial liabilities comprise:

- Euro denominated overdrafts that bear interest at EURIBOR rates.
- Sterling denominated overdrafts that bear interest at UK base rates.

(b) Currency exposures

The table below shows the Group's currency exposures; i.e. those transactional (or non-structural) exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved. The table includes the effect of forward currency contracts taken out to manage these currency exposures.

As at 31 December 2006 these exposures were as follows:

	Net foreign currency monetary assets/(liabilities)				
31 December 2006:	Euro €'000	Sterling €'000	US Dollar €'000	Other €'000	Total €'000
Functional currency of Group operation					
Euro	-	3,517	5	-	3,522
Sterling	(3,493)	-	-	-	(3,493)
Total	(3,493)	3,517	5	-	29
31 December 2005:					
Functional currency of Group operation					
Euro	-	2,770	54	64	2,888
Sterling	(2,603)	-	-	-	(2,603)
Total	(2,603)	2,770	54	64	285

(c) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, other than short term creditors such as trade creditors and accruals, at 31 December 2006 was as follows:

	2006	2005
	€'000	€'000
In one year or less or on demand	**1,307**	1,627
In more than one year but not more than two years	**1,307**	1,627
In more than two years but not more than five years	**12,954**	13,616
	15,568	16,870

(d) Borrowing facilities

There were €12.3 million undrawn borrowing facilities at 31 December 2006 (2005: €14.2 million).

(e) Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31 December 2006:

	2006		2005	
	Book value	**Fair value**	Book value	Fair value
	€'000	**€'000**	€'000	€'000
Primary financial instruments held or issued to finance the Group's operations:				
Listed and unlisted shares (Note 9)	**159**	**159**	159	160
Overdrafts and short-term borrowings (Note 13)	**1,240**	**1,240**	1,560	1,560
Long-term borrowings (Note 14)	**14,148**	**14,148**	15,076	15,076
Finance leases (Notes 13 and 14)	**180**	**180**	234	234
Derivative financial instruments held to Hedge the currency exposure on sales				
Forward currency contracts	**-**	**-**	-	-

As a result of their short maturity there is no material difference between the book and fair value of overdrafts and short term borrowings. The fair values of all other items are their market values, where appropriate, or have been calculated by discounting future cash flows at prevailing interest rates.

(f) Gains and losses on hedging contracts

There were no recognised gains and losses on hedging instruments at 31 December 2006 or 31 December 2005.

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

22 Contingent liabilities

Group and Company

Under agreements between the Group and the Industrial Development Authority, capital grants up to a maximum of €703,000 (2005: €730,000) could become repayable in certain circumstances as set out in the agreements.

Company

The Company has guaranteed the bank borrowings of certain subsidiaries. The Company has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other Companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 1 January 2006. At 31 December 2006 these borrowings amounted to €18,128,000 (2005: €19,480,000).

23 Directors' remuneration and interests in shares

Directors' remuneration (including pensions) and interests in shares (including share options) are listed on pages 17 to 20 in the report of the Remuneration Committee.

24 Employees

The average number of persons employed by the Group during the year was as follows:	**2006 Number**	2005 Number
Production	**164**	164
Stores	**98**	107
Transport	**41**	35
Administration	**78**	78
	381	384

	2006 €'000	2005 €'000
Wage costs are comprised of:		
- Wages and salaries	**10,439**	9,606
- Social welfare costs	**1,224**	968
- Other pension costs	**682**	725
	12,345	11,299

25 Pensions

The pension entitlements of most employees arise under defined benefit pension schemes and are secured by contributions by the Group to separately administered pension funds. Annual contributions are based on the advice of professionally qualified actuaries on the basis of triennial valuations using the attained age method and are charged to the profit and loss account on an accruals basis.

On the basis of the latest actuarial valuations prior to the year end, which were carried out as at 1 January 2004, 1 January 2003, 1 April 2003 and 1 February 2002, the market value of the schemes' assets was €10,345,000, and the actuarial value of those assets represented in aggregate 97% of the benefits that had accrued to members allowing for future increases in pensionable earnings. The principal actuarial assumption adopted in the valuations was that, over the long term, the annual rate of return on investments would be 2% higher than the annual increase in pensionable remuneration. The pension cost charged to the profit and loss account in respect of defined benefit pension schemes was €359,000 (2005: €400,000). The actuarial reports are not available for public inspection.

Contributions to the schemes will continue at the actuary's recommended rate.

The pension entitlements of employees of three of the subsidiaries arise under defined contribution schemes. The assets of the schemes are held separately from those of the Companies in independently administered funds. The pension cost charge represents contributions payable by the Companies to the funds and totalled €323,000 (2005: €325,000).

At 31 December 2006 €67,500 (2005: €30,000) was included within creditors in respect of defined contribution pension liabilities.

The Group operates several defined benefit schemes. The full actuarial valuations carried out as outlined above were updated to 31 December 2006 for FRS 17 disclosure purposes by qualified independent actuaries. The main financial assumptions used in the valuations were:

	2006	2005	2004
Rate of increase in salaries	**2.00% - 4.00%**	3.50% - 4.25%	3.50% - 4.00%
Rate of increase in pensions in payment	**2.50% - 5.00%**	2.00% - 2.25%	2.25% - 2.50%
Discount rate	**4.50% - 5.00%**	4.25% - 4.50%	4.25% - 5.00%
Inflation assumption	**2.00% - 2.25%**	2.00% - 2.25%	2.00% - 2.25%

The assets in the schemes and the expected rate of return are detailed below. The following amounts at 31 December 2006, 31 December 2005 and 31 December 2004 were measured in accordance with the requirements of FRS 17:

	Long-term Rate of return expected at 31 Dec 2006	**Market Value at 31 Dec 2006 €'000**	Long-term Rate of return expected at 31 Dec 2005	Market Value at 31 Dec 2005 €'000	Long-term Rate of return expected at 31 Dec 2004	Market Value at 31 Dec 2004 €'000
Equities and property	**7.1%**	**4,343**	6.6%	4,141	6.9%	3,492
Bonds	**4.1%**	**554**	3.6%	651	5.0%	2,207
Managed funds	**6.0%**	**4,631**	7.0%	3,754	7.0%	2,987
Other	**3.8%**	**818**	3.3%	238	3.4%	325
Total market value of assets		**10,346**		8,784		9,011
Present value of scheme liabilities		**(11,032)**		(9,996)		(11,614)
Deficit in the scheme		**(686)**		(1,212)		(2,603)

The following amounts have been recognised in the performance statement for the year ended 31 December 2006 under the requirements of FRS 17:

	2006 €'000	2005 €'000	2004 €'000
Operating profit			
Current service cost	**359**	400	318
Other finance income/(expenses)			
Expected rate of return on pension scheme assets	**581**	455	527
Interest on pension scheme liabilities	**(457)**	(483)	(520)
	124	(28)	7
Statement of recognised gains and losses			
Actual return less expected return on pension scheme assets	**495**	1,102	342
Experience gains and losses arising on the scheme liabilities	**(9)**	924	(700)
Changes in assumptions underlying the present value of the scheme liabilities	**(197)**	(549)	(854)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	**289**	1,477	(1,212)

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

25 Pensions (continued)

	2006 €'000	2005 €'000	2004 €'000
Movement in deficit during the year			
Deficit in scheme at 1 January	**(1,212)**	(2,603)	(1,415)
Movement in year:			
Current service cost	**(359)**	(400)	(318)
Contributions paid	**472**	342	335
Other finance income	**124**	(28)	7
Actuarial gain/(loss)	**289**	1,477	(1,212)
Deficit in scheme at 31 December	**(686)**	(1,212)	(2,603)

Experience gains and losses for the year	**31 December 2006 €'000**	31 December 2005 €'000	31 December 2004 €'000	31 December 2003 €'000	31 December 2002 €'000
Difference between the expected and actual return on scheme assets	**495**	1,102	342	327	(1,655)
Percentage of scheme assets	**4.8%**	12.5%	3.8%	3.8%	(22%)
Experience gains and losses on scheme liabilities	**(9)**	924	(700)	(854)	76
Percentage of the present value of scheme liabilities	**(0.1%)**	9.2%	(6.0%)	(8.6%)	0.9%
Total recognised in statement of total recognised gains and losses	**289**	1,477	(1,212)	(290)	(2,243)
Percentage of the present value of the scheme liabilities	**2.6%**	14.8%	(10.4%)	(0.3%)	(25.3%)

26 Reconciliation of operating profit to net cash inflow from operating activities

	2006 €'000	2005 €'000
Operating profit	**2,563**	120
Depreciation/impairment of tangible assets	**2,550**	2,949
Amortisation/impairment of goodwill	**1,232**	154
Capital grants amortised	**(4)**	(8)
Decrease in stock	**1,805**	722
(Increase)/decrease in trade debtors	**(1,330)**	2,808
Increase in trade creditors	**34**	880
Non-cash movement on pension charge	**(112)**	96
Exchange rate movements	**(8)**	14
Increase in share option reserve	**28**	-
Net cash inflow from operating activities	**6,758**	7,735

27 Reconciliation of net cash flow to movement in net debt

	2006 €'000	2005 €'000
(Decrease)/increase in cash	**(383)**	6,714
Capital element of finance lease payments	**53**	74
Change in net cash resulting from cash flows	**(330)**	6,788
Exchange rate movements	**48**	47
Movement in net debt in the year	**(282)**	6,835
Net debt at beginning of year	**(14,846)**	(21,681)
Net debt at end of year	**(15,128)**	(14,846)

28 Analysis of net debt

	At 31 December 2005 €'000	Cash flow €'000	Foreign exchange €'000	**At 31 December 2006 €'000**
Cash at bank and in hand	2,023	(1,630)	48	441
Bank loans and overdrafts due within one year	(1,560)	320	-	(1,240)
Bank loan due after one year	(15,076)	928	-	(14,148)
	(16,636)	1,248	-	(15,388)
Finance leases	(233)	53	-	(181)
Net debt	**(14,846)**	**(330)**	**48**	**(15,128)**

29 Related party transactions

In the ordinary course of their business as farmers, Directors have traded on standard commercial terms with the Group. Aggregate purchases from, and sales to, these Directors amounted to €1,771,000 (2005: €1,913,000) and €684,000 (2005: €538,000), respectively.

The aggregate amounts owed to the Directors, and by the Directors, in respect of these transactions at 31 December 2006 was €75,000 (2005: €80,000) and €95,000 (2005: €174,000) respectively.

Donra Dairies Limited, an associate undertaking, purchased goods on standard commercial terms from the Group during the year amounting to €2,093,656 (2005: €2,180,000).

30 Future capital expenditure not provided for

At the year end there were no capital commitments authorised by the Directors and not provided for in the financial statements.

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

31 Interests in subsidiary and associated undertakings

Name and registered office	Principal activity	Direct/Indirect Holding	Issued and fully paid up capital
Subsidiary undertakings Incorporated in the Republic of Ireland:			
Glenveagh Agricultural Co-Operative Society Limited	Intake and processing of milk	99.5%	100,500 ordinary shares of €1.26973 each
Robert Smyth & Sons (Strabane & Donegal) Limited, Ballindrait, Lifford, Co Donegal	Manufacture of animal feed compounds	100%	324,168 ordinary shares of €1.26973
Donegal Dairy Products Limited	Non-trading	100%	384,996 ordinary shares of €1.26973 each
Asian Paneer (Ireland) Limited (through Donegal Dairy Products Limited)	Non-trading	75%	29,915 ordinary shares of €1.26973 each
North Donegal Co-Operative Enterprises Limited	Non-trading	56.6%	26,500 ordinary shares of €1.26973 each
Irish Potato Marketing Limited, Unit 1, Loughlinstown Centre, Loughlinstown, Dun Laoghaire, Co. Dublin	Development, marketing and sale of seed potatoes	100%	8 "A" ordinary shares of €1.26973 each
Donegal Potatoes Limited (through Irish Potato Marketing Limited) Colehill, Newtoncunningham, Co. Donegal	Grading and storage of potatoes and sack printing	100%	120,000 ordinary shares of €1.26973 each
Oatfield Confectionery Limited Ramelton Road, Letterkenny, Co. Donegal	Confectionery manufacture	76%	323,750 ordinary shares of €1.26973 each
Crest Securities Limited Ballyraine, Letterkenny, Co. Donegal	Non-trading	100%	100 ordinary shares of €1 each
Ramelton Road Property Developments Limited	Non-trading	100%	1 ordinary share of €1
Letterkenny Student Residences Partnership	Non-trading	100%	Partnership
Milburn Dairy Limited	Non-trading	100%	90 ordinary shares of €1 each
Ennis Foods Limited Crossroads, Killygordon, Co. Donegal	Distribution of milk products	100%	773,712 ordinary shares of €1.269738 each 215,922,270 ordinary 'A' share of €0.001269738 each

The registered office of the above Companies is Ballyraine, Letterkenny, Co. Donegal, except where otherwise stated.

Name and registered office	Principal activity	Direct/Indirect Holding	Issued and fully paid up capital
Incorporated in Northern Ireland: Maybrook Dairy Limited	Non-trading	100%	683,655 ordinary 'A' shares of Stg£1 each
		100%	227,885 ordinary 'B' shares of Stg£1 each
Euro-Agri Limited	Selling of agricultural inputs	100%	50,000 ordinary shares of Stg£1 each
Estuary Trading Limited	Agents for Donegal Creameries plc in Northern Ireland	100%	1,000 ordinary shares of Stg£1 each
Maybrook Dairy (Omagh) Limited	Selling of agricultural and dairy products	100%	1,000 ordinary shares of Stg£1 each
McCorkell Holdings Limited Administration building, Lisahally Terminal, Port Road, Londonderry, BT47 6FL	Stevedoring	75%	923,652 ordinary shares of Stg£1 each

The registered office of the above Companies is 14A Dromore Road, Omagh, Co. Tyrone, except where otherwise stated.

Incorporated in the United Kingdom: IPM Perth Limited East Den Brae, Letham, Angus DD8 2PJ Scotland	Non-trading	100%	2 ordinary shares of Stg£1 each
Incorporated in the Netherlands: IPM Holland B.V. Leeuwerikstraat 130, 8916 CJ Leeuwarden, Holland	Administrative Support	100%	180 ordinary shares of €100 each
Associated undertakings: Incorporated in the Republic of Ireland: Monaghan Middlebrook Mushrooms Ltd Tyholland, Co. Monaghan	Mushroom Marketing and compost production	23%	3,846,669 'A' ordinary shares of €0.634869 each
			5,770,004 'B' ordinary shares of €0.634869 each
North Western Livestock Holdings Limited Doonally House, Doonally, Sligo	Co-operative Society	22.4%	156,298 ordinary shares of €1.27 each
Donra Dairies Limited Ballyraine, Letterkenny, Co Donegal	Distribution of long life milk	50%	2 ordinary shares of €1.26973 each
Leapgrange Limited. Tir Chonaill Street, Ballyshannon, Co. Donegal	Forestry	42.7%	124,000 Ordinary Shares of €1 each

The results of all subsidiary and associated undertakings have been included within the Group financial statements. All Companies operate primarily in their country of incorporation. The percentage shareholdings stated above also reflect the Group's voting rights for each class of share except in the case of Glenveagh Agricultural Co-Operative Society Limited, where the Group and each of the other 500 shareholders have one vote each. Donegal Creameries plc has call options, exercisable at its absolute discretion, over the ordinary shares in Glenveagh Agricultural Co-Operative Society Limited not already owned by it.

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of Donegal Creameries plc to their annual returns: Glenveagh Agricultural Co-Operative Society Limited,Robert Smyth & Sons (Strabane & Donegal) Limited, Irish Potato Marketing Limited, Crest Securities Limited, Ramelton Road Property Developments Limited, Milburn Dairy Limited, Ennis Foods Limited.

NOTES CONTINUED

FORMING PART OF THE FINANCIAL STATEMENTS

32 Employee share schemes

Share based payments – Group and Company

At an extraordinary general meeting held on 27 July 2005 a new share option scheme for full time executives was approved by the shareholders. This scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three-year period.

Options are granted at the discretion of the Remuneration Committee. On 2 May 2006 the Remuneration Committee granted 150,000 share options to Ian Ireland, Managing Director, at the exercise price of €4.35, exercisable between the third anniversary of the date of grant and the sixth anniversary of the date of grant. No other options have been granted under the scheme.

Details of the movements on outstanding options over the Company's share capital and those granted during the year are set out below. No options were exercised by Directors during the year.

Opening balance share options	**83,590**
Weighted average share price	**€0.53**
Granted share options	**150,000**
Option price	**€4.35**
Closing balance share options	**233,590**
Weighted average share price	**€2.98**

Details	**Number of instruments**	**Option price**	**Earliest/latest exercisable date**
Equity-settled award to Ian Ireland (Director) granted by parent on 2 May 2006	150,000	€4.35	2 May 2009/ 1 May 2012

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a PEV-binominal lattice with realistic early exercise valuation model.

A summary of the assumptions used in calculating fair value are as follows:
Fair value at measurement date

Weighted average share price	
Exercise price	**€4.35**
Volatility	**25% pa**
Dividend yield	**2.75% pa**
Risk free interest rate (2 May 2006)	**3.9% pa**
Rate of forced early exercise	**10% pa**
Minimum gain for voluntary early exercise	**33% of exercise price**
Rate of voluntary early exercise at minimum gain	**50% pa**

Other than the assumptions listed above, no other features of option grants were factored into the determination of fair value.

The total expenses recognised for the period arising from share based payments are as follows:

	2006 €'000	2005 €'000
Equity settled share based payments	**28**	-

33 Approval of financial statements

The Directors approved the financial statements on 19 April 2007.

GROUP FINANCIAL SUMMARY

Detailed Profit and Loss Account

	2006	2005	2004	2003	2002
	€'000	€'000	€'000	€'000	€'000
Turnover	**118,585**	111,677	111,460	113,920	135,337
Operating profit	**2,563**	120	680	5,093	5,144
Profit on disposal of fixed assets	**11**	(38)	5	31	55
Profit on disposal of financial investments	**2,122**	3,941	477	1,110	699
Impairment of investment in associate	**(584)**	(638)	-	-	-
Share of results of joint venture	**-**	-	442	(1,775)	549
Share of results of associates	**320**	394	564	-	-
Income from financial assets	**1,069**	1,068	1,080	932	800
Interest receivable	**83**	94	69	4	29
Interest payable	**(1,438)**	(1,343)	(1,127)	(799)	(1,467)
Profit before tax	**4,146**	3,598	2,190	4,520	5,809
Tax	**(1,130)**	(1,592)	(285)	(773)	(921)
Profit after tax	**3,016**	2,006	1,905	3,747	4,888
Minority interest	**(217)**	(152)	(172)	(169)	(198)
Dividends	**(1,374)**	(1,229)	(1,236)	(1,202)	(1,133)
Profit retained	**1,425**	625	497	2,376	3,557

Balance sheet

	2006	2005	2004	2003	2002
	€'000	€'000	€'000	€'000	€'000
Tangible fixed assets	**18,822**	19,899	20,432	20,545	21,124
Financial fixed assets	**31,936**	28,331	15,181	10,507	10,568
Investments in joint venture	**-**	-	-	(2,308)	(36)
Investment and associates	**4,689**	3,409	3,803	-	-
Intangible assets	**1,200**	2,432	1,648	1,755	1,918
Net current assets	**17,533**	18,765	10,540	16,915	11,689
	74,180	72,836	51,604	47,412	45,263
Creditors due after one year	**(14,261)**	(15,274)	(7,918)	(7,667)	(7,677)
Provisions	**(1,971)**	(1,925)	(1,686)	(584)	(608)
Pension deficit	**(686)**	(1,212)	(2,603)	n/a	n/a
Minority interests	**(1,739)**	(1,270)	(1,384)	(1,657)	(1,548)
Shareholders' funds	**55,523**	53,155	38,013	37,504	35,430
Depreciation (€'000)	**2,531**	2,949	2,466	2,617	2,615
Earnings per share (cents)	**27.5**	18.2	17.2	35.9	47.2
Dividends per share (cents)	**13.5**	12.0	12.0	12.0	11.4
Dividends cover (times)	**2.0**	1.5	1.4	3.0	4.1

NOTES

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